



Defence Sub-Committee

Oral evidence: Treatment of Contracted Staff, HC 275

Monday 12 July 2021

Ordered by the House of Commons to be published on 12 July 2021.

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Members present: Martin Docherty-Hughes (Chair); Stuart Anderson; Sarah Atherton; Tobias Ellwood; Mr Kevan Jones; John Spellar.

Questions 1-50

Witnesses

I: Professor Roger Seifert, Emeritus Professor of Human Resource Management and Industrial Relations at University of Wolverhampton.

II: Kevin Brandstatter, National Officer, GMB, Chris Dando, Defence Sector Group President, Public and Commercial Services Union and Caren Evans, National Officer, Unite.

Written evidence from witnesses:

[TCS0004 - GMB](#)

[TCS0005 - PCS](#)

[TCS0007 - Unite](#)



Examination of witness

Witness: Professor Roger Seifert.

Chair: Welcome to the Defence Sub-Committee on “The Treatment of Contracted Staff for the MoD’s Ancillary Services”. This inquiry will ask the MoD how it decides which ancillary services are outsourced, what the level of outsourcing is and whether this provides savings in the long term. We will also seek to address whether contracted staff are treated fairly compared with direct employees, the extent to which contracted staff are part of the wider defence family and whether outsourcing has damaged the links between the military and the communities that they are part of. We hope that the Sub-Committee will explore the terms and conditions of contracted staff, asking whether there has been downward pressure on their entitlements and working conditions.

I am grateful to our first guest today for coming to give evidence. Our first witness is Professor Roger Seifert, who is a professor of industrial relations at the University of Wolverhampton Business School and has research specialisms in industrial and employee relations. Roger, if you don’t mind my calling you Roger rather than Professor Seifert—

Professor Seifert: That’s fine.

Chair: We are very grateful to you for taking the time today to join us and give evidence. We will go straight into the questions if you don’t mind, Roger, and I will ask my colleague Kevan Jones to come in.

Q1 **Mr Jones:** Welcome, Roger. Can I ask how effective, in your opinion, the MoD’s outsourcing has been compared to that of other Departments? In the 2015 SDSR, it pledged to outsource key functions of the Department to make it “leaner and more efficient”. What is your assessment of how successful or otherwise that has been?

Professor Seifert: It’s quite difficult to measure success, obviously, because there are so many varied factors. People talk about efficiency and effectiveness, but neither is particularly quantifiable or comparable in any easy sense. I would say that overall, particularly in the last five years, the outsourcing success bar across the Departments is very low, so even if the MoD is slightly better than, say, the disaster in the probation service and some of the shocking examples within Education and Health, that doesn’t mean that it’s particularly successful. The real issue has been the shift, as you say, to try to make the bidding for the outsourcing of services more realistic and competitive. The biggest difficulty for the MoD is size: a lot of money is involved and a lot of services are involved. There are, as you know, potentially very few outsourcing companies that will bid. There is, as we also know from other reports, some suspicion that these companies collude in the bidding process—if you like, G4S say, “You can have Brazil and we can have the UK.” So there’s a bit of a carve-up and what we get in the end, therefore, are bids that are not really linked to the cost-effectiveness of the delivery of the service, or probably to the realities of the period after the bid has been successful. What we find is that, in the



first year or so after a successful bid, companies behave reasonably well and deliver some of the products. But after that, they get sloppy, costs become difficult to control, and they seek to increase their profit margin. The difficulty for the MoD is that it does not know where else to go. Even if someone has performed badly, the technical nature of the contractual relationship means that it is difficult for the Government to pull out, to change it, to improve it or to fine the companies, so they tend to be stuck often with underperforming companies that are also increasingly—this is the point of this afternoon—seeking to claw back some of the costs, in a very tight profit area, through a tax on their workforce. Overall, I would say the MoD has not done very well, although it is difficult to make comparisons with other Departments, but it is not in a good position going forward.

- Q2 **Mr Jones:** How good a customer or client is the MoD, in terms of drawing up the specifications in the first place for those contracts and monitoring performance? Are they good at it? From what you have just said, it sounds as though once they are into a contract, they get stuck very firmly into it, with no alternatives to go elsewhere. From your experience, how good are they at drawing up the original contract?

Professor Seifert: We can distinguish between the original contract and the enforcement of that contract. As you know, throughout Government—not least in the Scottish Government, where I have been doing some work recently—enforcement is a major issue. What you find is that your civil servants at the MoD have a pro forma. They know what to do, and they can go on the internet and find out. All the clauses are there, all the tick boxes are done, and all the legal niceties are followed, but what we find is that the overall problem is: what is it that they want? What is it that the catering service, cleaning service or maintenance service actually is? While the technical and legal side is safe, the overall strategic purposes of the contracting out, and the services actually to be provided, are not always clear cut. One of the biggest issues here is the time period.

I have been around a dozen or more of these places. They are in a terrible condition; the maintenance is shocking in some of our barracks. A company may say, "Look, it will take two to seven years to fix," or "It will take two to three years". That area of indeterminacy raises real problems when it comes to enforcement, because what they say is, "We will try our best, but we can't guarantee." That is where all the wrinkles come in: "We can't guarantee. We'll do our best." I think the MoD are as competent as anyone in drawing contracts up; they do not seem to me to be any good at all in following up on whether the sub-contracted companies are delivering the service that they promised within the timescale that they promised. There is endless dither and delay, and the MoD seem not to be too bothered if it takes two years to fix a lift, or to unblock a toilet in some places.

- Q3 **Chair:** In terms of the social value model, which was published in September 2020 to guide how businesses should deliver social value priorities when providing Government work, how do you think this could impact on the Ministry of Defence in its outsourcing processes?



Professor Seifert: There are two difficulties. There is the point of principle: what is the point of outsourcing? The only point can possibly be that these companies deliver a similar or better service at a lower unit cost. There is no other point. You are not doing it for moral, social or wider economic reasons, so the core policy is surely whether they do that or not. This comes around to issues of efficiency. What has happened—I have done studies across at least 17 Departments—is that they find that they cannot deliver this and that, actually, the core delivery of outsourcing is not as successful as it should have been, and not as successful as people had hoped. If you want to carry on delivering that, you have to—with due respect—surround it with add-ons. One of the add-ons is some notion that it has a positive and beneficial effect, both in the local economy and, as you say, in some sense—unmeasurable, really—of social benefit to the community.

We assume these two are tied together. If you go to the barracks just north of York, the notion is that without that barracks, a whole range of businesses and a whole range of people would not be employed. They wouldn't be employed in the way in which they are employed. This improves the social welfare and the economy locally and, therefore, the MoD is doing more than it should and the outsourcing companies are playing their part in delivering it. Their glossy adverts, unfortunately not unlike Amazon, tell us about all the jobs they have created and all the social worth they are doing.

I have to provide you with a view that the hard evidence is that it is negligible—that they actually provide no serious social benefit and very limited local economic benefit that is specific either to the MoD or its outsourcing companies. There is no hard evidence for it.

Q4 **Chair:** In terms of other Government Departments versus the MoD, every other Government Department will have a social value model, but every other Government Department will also have to follow the Cabinet Office guide when outsourcing. Would it be your opinion that the MoD doesn't use that guide in any shape or form?

Professor Seifert: It is variable. I wouldn't say in any shape or form and I wouldn't say that all the other Departments do follow it. The difficulty is that there is a real disjunct—as parliamentarians, I am sure you come across this all the time—between the rhetoric and reality. They talk a very good talk and an increasingly expensive very good talk, with all the PR help they get, but, with most of these documents—it takes sad, old professors like myself to actually go through them into the deepest page 173 footnote to find it out—the delivery is poor. The delivery of the stated aims of the contracts is poor.

In the case of the MoD, it is particularly worse because, as we said at the beginning, you are dealing with very powerful, large companies. The recent MoD reports that I read said that they were trying to provide a greater base for smaller companies to bid for some of the work in order to create a more competitive market, but also in order to provide a more local—as you have argued—social value model. There is no evidence that



that is forthcoming. Some of these contracts simply cannot be taken up by small companies.

I should add if a small company did take them up successfully, they would be bought out by one of the bigger companies, so you end up where you started.

- Q5 **Chair:** Would you say, therefore, that through outsourcing, they have actually reduced the social value and economic value of MoD services in local communities—reducing terms and conditions?

Professor Seifert: Certainly on the economics—the economics you can measure to some extent. There is some evidence. It doesn't always point in the same direction and sometimes the evidence is hard to get and out of date, but, overwhelmingly, outsourcing either makes no difference or has a negative impact economically.

On the social model, you can't say. I just don't think the evidence is available one way or the other, but the overall appearance is one of rhetoric rather than delivering anything of importance or relevance to local communities. In other words, it has not really happened.

- Q6 **Sarah Atherton:** Good afternoon, Roger. Some MoD services like guarding and fire and rescue are partially outsourced, while catering, for example, is fully outsourced. What decision-making processes are you aware of that are used by the MoD when they decide which service is going to be outsourced fully or partially?

Professor Seifert: There is a combination of factors. Firstly, there is the overall Government position. From the very top of Government for the last few years, the pressure has been to outsource more, almost irrespective of whether it is a sound economic or social decision. So there is pressure from the top. Within the MoD, as you are aware, the strategy is to outsource in order to remove certain activities from MoD books, so that the MoD's core purpose, if you like, can be pursued and reported upon without worrying unduly about the outsourcing.

The difficulty with the MoD is obviously—and I was quite unimpressed—the level of security. The MoD differs from all other Government Departments, really, because of the importance of security. It seems to me that that would be the starting point, certainly when you read reports from the Armed Forces which have a different take on things from the reports than the MoD proper. That is a key issue.

As you suggest, it seems incredible to me that IT has been outsourced. Whatever the promises made by these companies, they simply can't guarantee them. So the Army would certainly bring those back in.

In terms of catering, cleaning and waste disposal, in a way it is a bit late to reverse that now because the MoD has lost all its internal expertise on how to manage it—it's not a tap you can turn on and off. Once you turn it off, it is quite difficult to turn the level of managerial competence you need to manage these back on. So they probably need to continue to be



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outsourced, although one would hope within a much tighter framework of control, responsibility and regulation.

Otherwise it is difficult to see where it's heading. Obviously, there's the procurement side. Some of the procurement side is complicated because outsourcing is then outsourced. Where you have a chain of outsourcing activities, the real issue has always been whether the host has sufficient control of processes, irrespective of whether there's a beneficial outcome, to guarantee that bad things aren't being done along the way.

Whether it's the MoD or anybody else, it's a question of control. Are the alleged economic benefits of improved efficiency outweighing the fact that you lose control of the process? As the years go by, you lose more and more control because, as companies become more expert, they are able to provide reports that are not entirely in keeping with what is going on on the ground. The MoD loses expertise at all levels on being able to assess the accuracy of the reports. There is a loss of knowledge, a loss of experience within the MoD, to be able to maintain control. I would be worried about any future outsourcing.

But it is a brutal, stark choice between the costs and the control of the process. I would have thought, given what's happening and the strategic emphasis that the military chiefs have put on cyber force, that outsourcing would be more or less rejected now because of the failure to control the process.

Q7 Sarah Atherton: A few days ago, I ate in a junior ranks mess hall. The food was cheap, and it was okay—very processed, and I could imagine I would get pretty tired of it after a few weeks. I have heard a number of accounts from personnel about the poor quality of food and the officers in command being disempowered to try to improve that for the service personnel. While we appreciate financial savings, there must be concerns about quality of service and customer satisfaction.

You mentioned the host, the MoD, and control and regulation. What control and regulation do they do now?

Professor Seifert: Like you, I had the experience of visiting a dozen sites, and I ate in the canteens, which are okay when you're hungry after a long journey. One of the worst aspects was that the MoD civilian staff received no subsidy, while the uniformed staff did. They could actually be sat down at a table together, eating exactly the same food—which was, as you say, of variable and indifferent quality—and pay more.

Not surprisingly, there was a significant level of resentment that there was a subsidy if you wore uniform, but not if you were a civilian member of staff. Apart from anything else, that sort of tension between civilian and uniformed staff was rife within the organisation. That was actually one of the major features in discrimination and bullying, which is a huge aspect of current practice, not least within the subcontracted companies.

You are right that once you set rather vague and difficult standards, if there is a slight slippage, what are you going to do? As you say, it could



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be only a 10% or even 15% slippage. Worse food is not nice for those eating it—it is boring—but the host cannot really do much. What sort of legal action are you going to take? Are you going to take down a major corporation just because it is slightly less than you said? That slippage of standards is a common feature not only for the food but, for instance, of the cleaning of toilets, which was a horror show in most of the places I visited.

Q8 Chair: You noted the uniformed and civilian differences, in terms of reductions in the cost of their food. Could you clarify whether the civilians were in-house MoD civilians, or were they contract staff?

Professor Seifert: Both. But I should say that that is not necessarily universal, but it is certainly in some of the places I have visited.

Q9 John Spellar: You are talking about the impact on the outcomes for the users, but could I go back to the terms and conditions of the staff themselves, and therefore the ability to retain and attract staff? From your experience, does the MoD care about the terms and conditions of staff when contracting out the services?

Professor Seifert: Obviously they care: I think “care” is probably not the correct word. They are interested in them, in so far as they know that if terms and conditions and pay levels generally slip too far, there is a danger of staff shortages, as well as a poorer quality delivery of service. They are not interested per se; they are interested in the quality of the service.

Some of these services are more labour intensive and require more skill. I would be desperately concerned about the level and quality of IT staff recruited by outsourcing companies. For others, the MoD are less concerned, partly because of the location of many of these places. There is local unemployment, and so the view is that even if the terms and conditions slip, people will still turn up for work because there is little alternative. The other feature of both civilian MoD and some of the outsourcing people is that they often recruit people who have been associated one way or the other with the Armed Forces, so there tends to be a higher level of loyalty to the organisation, one way or the other, than you would expect, even if it is a private company.

To some extent, there is a disregard of terms and conditions because the MoD feel that the workforce is, to some extent, a captured workforce. Obviously, when the delivery falters—a classic one is the lifts are broken and the maintenance is delayed because these people have not got enough technical staff at the ready—they also miss targets promised, in terms of the timeliness of repairs.

You are right that the MoD are not interested directly in terms and conditions, but they are interested indirectly. They also know—this is well documented—that as it gets tighter, in cost terms, these companies will seek to cut labour costs first and make sure their profitability is retained. There is a constant danger, which has been accelerated by the pandemic, that terms and conditions will get worse.



Q10 John Spellar: In your experience, is there any intervention by the MoD as client with those worsening terms and conditions if they can see that it is likely to or in fact is leading to a worsening in the supply of the service?

Professor Seifert: At a local level, military commanders and senior managers complain, like we all do, but the difficulty is that the complaints do not go very far. There is not a robust system whereby you can say to Amey or any of the other big companies, "Look, you are not doing this job properly. Hurry up." It is no different to you or me phoning a plumber and saying, "You promised to come on Tuesday and it's already Wednesday." They don't seem to have many powerful levers to enforce the sort of compliance with the standards promised that one would expect normally. However, there is endless complaining on all sides.

As I said, I spoke to some military people, I spoke to civilians. Generally speaking, they were unhappy with the services, but they did not really see a lot they could do. When they went up the chain of command—this I heard in the particular case of the Navy—they would sometimes get a more senior officer to complain and that sometimes did the job for them, but not always. In other words, it is quite a miserable picture in terms of getting stuff fixed and enforcing the agreement.

Q11 John Spellar: Talking about enforcing the agreement, are there not breach of contract clauses within the agreement and a mechanism for ascertaining and resolving those?

Professor Seifert: I do not know your experience of taking on the lawyers for these companies, but if you go down a formal, legalistic route, besides the fact that you need permission at quite a high level within the MoD and they are not going to keep doing that, the view is that it is incredibly expensive. You may or may not win, and we are not really prepared to back you. That is one of the issues when you are dealing with vastly powerful multinationals, and particularly if they are American based in any sense. They just have a legion of rather clever lawyers who will just come down on you, as we know in other sectors such as McDonald's. They really take the legal side very seriously. So, generally speaking, enforcing it on that basis is unlikely and expensive and it is not something that, as far as I am aware, the MoD is willing to do.

Q12 John Spellar: I would merely say that some of the bigger local authorities have actually taken on significant contractors and, indeed, those contractors have then had to buy themselves out of the contract. That is because, basically, they could not, on the prices they had bid in on, where, as you rightly say, they had relied on underperforming in order to make any margin, in the end, they had to buy themselves out of those contracts because they were going to be too expensive if they actually performed to specification.

Professor Seifert: Absolutely, but there are differences, obviously. First, in local government, more political pressure is more readily applied and they have to stand for election. So if the bins are not collected, as classically in the Birmingham disputes a couple of years ago, there is



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enormous pressure on the politicians to go back to the company. The other thing is that they are more likely to be heavily unionised in local authority subcontracted areas, so there is pressure that way. You are quite right. You can do it, but you need political will and you need to be prepared to be backed up by your legal team.

Also, the consequences and the difficulty, as we said right at the beginning, when you are dealing with a small number of very powerful large companies, are that if you win and they buy themselves out, is there an alternative bidder? Unless you bring it in house, is there somebody else who would take it up? The difficulty with some of the MoD contracts is that that is not likely. They are fearful of forcing that outcome.

- Q13 **Chair:** Building on John's question, in the provision of services from those that are outsourced to private companies, is it your experience that they improve or reduce terms and conditions of employees compared with, say, civilians who are in house with the Ministry of Defence? If so, why do you think it is?

Professor Seifert: Generally speaking, it is just simply that they are worse, no question. It is my view that it is the nature of the beast, the nature of any subcontracting, whether it is at first hand. I did some work on Hinkley Point nuclear power station. The subcontracting goes on and on. Every time you subcontract, the profit margins are squeezed and so the companies are looking to reduce costs. Often, they cannot reduce the capital costs of equipment, they cannot reduce other costs, so the easiest, softest option is to reduce labour costs, and they do it. It is not a moral or a political commentary, it is just that if you are running a business, you look to cut costs where you can.

They cut the labour costs, they reduce wages and there is a significant amount of bullying, harassment and victimisation that goes on in order to enforce that. In other words, they are not just doing it, saying, "I'm going to make your holidays worse. I'm going to make your sick leave more difficult. I'm going to cut your overtime": if you complain or try to stand up to them, they will bully you, they will harass you and they will victimise you, and there is little recourse.

The MoD, as the host, is not interested. In some countries and in some organisations, they are interested, but at the moment the MoD's general strategic position is that they are not interested if they ever get reports. The only sensitive area is reputational damage. Because the MoD itself is facing a range of difficulties on bullying, harassment and victimisation, they are increasingly sensitive if it is also true of the companies that they are using to deliver a range of services to civilians and Armed Forces. So, there is some leverage on reputational damage, but if it is second-hand, or does not come direct to them, they can push it off, saying, "Well, it's these other companies."

Generally speaking, yes, it is the nature of the beast: subcontracting in difficult circumstances will always lead to worse pay and conditions.



- Q14 **Mr Jones:** You talked about driving standards down. Certainly, more than 20 years ago, when I was a trade union official, contractualisation was just about starting to come in. That was the main way to save money: staff terms and conditions. What levels of union membership are we seeing in the workplace? It is clearly not encouraged by some of these companies. Are there local agreements, or national agreements? What is the picture?

Professor Seifert: I know you have got some trade unionists coming after me. I am sure they can give you a more accurate picture. Generally speaking, among the direct employees of the civilian staff of the MoD, about half are in unions, but the union task, as you are aware, is more difficult, as there have been cuts in facility time and other general attempts to make it more difficult for unions to represent their members.

When you cross over to the subcontracted companies, the issues are variable, as they are across the nation as a whole. Some groups of workers remain reasonably well unionised in some of those companies, and others are not. It is generally the case that even where the unions are reasonably well represented, the representation is limited and their power to take industrial action, for example, to enforce their terms and conditions is also limited. The relevant concept is not their union identity, the level of union membership, but the extent to which they can exercise their rights as trade unionists to enforce contracts and protect terms and conditions. Overall, the picture is grim—that is all we can say. That is not a surprising answer to you.

- Q15 **Sarah Atherton:** The MoD feels that it includes contractors and their families within the wider Defence family in the whole force model—by family employment opportunities, inclusion in family days, and certain aspects of the covenant. Do you agree that contractors feel included?

Professor Seifert: I am not sure that many people feel included. Again, it is one of the areas where it is quite difficult to get the evidence. You are asking for attitudes towards inclusion. Generally speaking, there is a high level of cynicism about the whole process, about whether it is just gesture politics of the worst kind to cover up some really bad publicity about suicides and bullying within the whole of the MoD.

The impression I got was that nobody feels included, that there was a general sense among all the workforce I spoke to—quite a few right across the area—that they were depressed and felt disengaged. The odd day here and there, the odd bit of flag-waving or hug—before the pandemic—was not really going to make any difference to them. In fact, to some extent, it made them even more bitter and resentful, because they thought that it was just window-dressing. The answer is probably no.

Chair: Thank you, Roger. If we had a longer session, we would have a lot more to ask you, but we have come to the conclusion of this session. We are more than happy to receive any more written evidence that you would like to submit. I am sure it would make for some entertaining reading on the outsourcing of contracts in the Ministry of Defence. We are very



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grateful to you for taking the time to give evidence today. Thank you very much indeed.